



**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET**

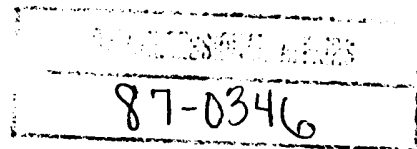
WASHINGTON, D.C. 20503

February 3, 1987

SPECIAL

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer -
National Security Council
Central Intelligence Agency



SUBJECT: Ambassador Habib's Testimony on U.S. Policy towards
Nicaragua and S. 184.

NOTE: Testimony will also be given by Asst. Secretary
Abrams, which will be circulated when received.

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

A response to this request for your views is needed no later than
10:00 A.M., WEDNESDAY, FEBRUARY 4, 1987.

Questions should be referred to **SUE THAU/ANNETTE ROONEY**
(395-7300), the legislative analyst in this office.

Ronald K. Peterson
RONALD K. PETERSON FOR
Assistant Director for
Legislative Reference

Enclosures

CC: E. Hayes
R. Neely

SPECIAL

**Amb. Habib's Testimony
before the Senate Foreign Relations Committee
February 5, 1987**

Mr. Chairman,

I am pleased to have been invited to accompany Assistant Secretary Abrams to discuss with the distinguished members of this committee U.S. policy towards Nicaragua. Mr. Abrams has just given you a broad overview of our two-track policy, and I will now explain our views on negotiations in greater detail.

We believe that there should be a negotiating process for every conflict. Central America has a peace process, and that is Contadora. Secretary Shultz recently told me that if Contadora did not exist, we would have to create it.

The Contadora process began in January 1983 when Colombia, Mexico, Panama, and Venezuela formed the Contadora Group to seek a negotiated solution to the conflict in Central America. In September of that year, they and the five Central American countries produced the Document of Objectives. This document represents the essence of Contadora; it contains 21 points essential to a just and durable peace.

For over three years, the Contadora process has sought a formula for accomplishing these 21 objectives. Several draft agreements or actas have been tabled, and through lengthy negotiations much of the language has been accepted by all five of the Central American countries. However, several critical points remain unresolved. In 1985, with the process apparently deadlocked, four South American nations--Argentina, Brazil, Peru, and Uruguay--formed the Support Group in an effort to revitalize the negotiations.

Contadora has several important features. It is an all-Latin process to resolve a Latin conflict. With the addition of the Support Group, it includes the largest Latin nations; these are important countries, and people listen when they speak. This Latinization of the problem, moving it away from the East-West context, is a very positive development.

Contadora also seeks a global approach to the problems in Central America. The 21 points of the Document of Objectives cover the full range of political, security, military, and economic issues which must be taken into account.

The United States has consistently supported the Contadora process. We believe that this global approach is the only way to produce a durable solution. Our objectives in Nicaragua, which Assistant Secretary Abrams has just described to you, are fully consistent with the 21 points. We would welcome, and we would abide by, an agreement that achieved the comprehensive, verifiable, and simultaneous implementation of the Document of Objectives.

While we support the Contadora process, we do not necessarily endorse each and every action by the Contadora countries. Largely because Sandinista intransigence has frustrated efforts to achieve an agreement, we have seen a tendency for Contadora to stray from its original objectives. Some members have promoted piecemeal solutions which we believe would only detract from the efforts to achieve a durable peace. Such partial solutions would tend to benefit Nicaragua and reduce the incentive of the Sandinistas to negotiate seriously on key issues. The Central America democracies also disagree with this piecemeal approach.

Last June, following the inability of the five Central American countries to reach an agreement among themselves on unresolved portions of the acta, the Contadora countries presented them with a new version which they described as the "final draft." The Central American democracies and we found this draft to be inadequate on several grounds.

For one thing, the June draft failed to address fully the political issues of national reconciliation and democratization. These are crucial ingredients to peace and are specifically called for in the Document of Objectives, but the June draft did little more than pay them lipservice. This was a fatal flaw in the view of the Central American democracies. At a summit meeting just a few weeks earlier, the four democratic presidents had been lectured by Daniel Ortega about "revolutionary democracy" in Nicaragua; Ortega insisted that his Sandinista party was the "vanguard" of the people with a historic right to rule, and neither bullets nor ballots would ever drive it from power. The four presidents realized that Ortega was using an entirely different vocabulary when talking about pluralism and democracy. They recognized that in any agreement, the political terms must be spelled out clearly and Nicaragua's obligations must be established precisely so that there could be no doubt about what the Sandinistas were required to do. Lacking adequate provisions on political issues, the June draft was not comprehensive.

The June draft also did not fully address the issue of verification. The whole annex on verification was only a rough draft. Key questions were unresolved; for example, there was no agreement on the membership the various commissions, what rights they would have (such as access to military facilities), and who would pay for the various mechanisms.

Moreover, the June draft was not simultaneous. With the Central Americans unable to resolve key military and security issues during negotiations in May, the June draft sought to sidestep the whole issue. It proposed that arms talks be delayed until after the agreement had been signed, ratified, and gone into force. The Central American democracies rejected this "Sign now, negotiate later" approach. They were not going to "buy a pig in a polk. They wanted at least the basic military and security issues should be decided before they signed, not after.

I should point out that Nicaragua has said it was willing to sign the June draft, but only on the condition that the future arms talks be conducted on its terms. The Sandinistas have made clear that they will not even discuss placing any limits on the size of their army, the largest in Central America, nor on most of the huge arsenal they have received from the Soviets. This would defeat one of Contadora's main goals of restoring a regional balance of power.

The Central American democracies informed the Contadora countries of the deficiencies they saw in the June draft and indicated their desire for further negotiations to strengthen the agreement. In July, however, Nicaragua filed suit against Costa Rica and Honduras at the International Court of Justice. This action violated the Act of Bogota which says that parties should not seek a juridical resolution of a dispute while an active negotiating process is underway. Costa Rica and Honduras, infuriated by the Sandinistas' bad faith, have refused to participate in further negotiations while the court cases are pending.

With the negotiating process blocked by the Sandinistas, the Contadora countries and others have been looking for new approaches. Last November, the Secretaries General of the UN and the OAS launched a joint initiative. They offered a "menu of services" available from their organizations to support Contadora. We believe that these organizations, particularly the OAS as the regional body, could play a useful role in facilitating the implementation of an agreement. Of course, first an agreement must be reached, and this is the task of Contadora.

Last month, the eight Contadora and Support Group Foreign Ministers plus the UN and OAS Secretaries General visited Central America in an effort to revive the process. They were looking for common ground on which to resume the negotiations. The Central American democracies expressed their continuing desire for a political solution, and they stressed that the key to lasting peace was democratic political change in Nicaragua. President Azcona of Honduras sent a letter to his counterparts in the eight Contadora and Support Group countries explaining that the crisis in Central America was not an international conflict between countries, but rather an internal conflict in Nicaragua that spilling over its borders; this internal conflict was caused by the lack of democracy in Nicaragua and the Sandinistas' efforts to consolidate a Marxist-Leninist dictatorship aligned with the Soviet Union and Cuba. The democracies stressed that the Sandinistas must enter into a process of dialogue and national reconciliation with their opposition.

Unfortunately, the Sandinistas remain intransigent. The communique they issued during the Contadora visit demonstrated their desire for a piecemeal, bilateral approach which would relieve them of the obligations of a global Contadora

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settlement. They called for talks with the United States, Honduras, and Costa Rica, as if those could really get the root of the problem. They refused to withdraw their cases at the World Court against Costa Rica and Honduras so that negotiations could resume. Most importantly, they showed no signs that they were willing to enter into a dialogue with their own people.

Last month, Assistant Secretary Abrams and I met in Miami with the Foreign Minister of Costa Rica to discuss some ideas his government had for overcoming the problems caused by Sandinista intransigence. President Arias, a man dedicated to democracy who sees political change in Nicaragua as his country's only long-term protection from the Sandinistas, is seeking a formula within the Contadora framework to address the specific issues of national reconciliation and democratization. He has called for a summit meeting with the presidents of El Salvador, Guatemala, and Honduras for February 15, and he may formally unveil his proposals at that time.

The United States stands ready to cooperate with Contadora and to do what it can to support the negotiating process. In 1984, my predecessor conducted nine rounds of bilateral talks with the Sandinistas at the request of Contadora. We suspended these talks when the Sandinistas attempted to use them not to complement Contadora but to replace it. Essentially, they sought a bilateral accord with the United States which would resolve their most pressing problems and leave them free to walk away from Contadora and the commitments they would be required to make in order to fulfill the Document of Objectives. We have stated that we are ready to resume bilateral talks as soon as the Sandinistas engage in a dialogue with all elements of their opposition, including the democratic resistance. We view our position as an incentive for the Sandinistas to enter into process of national reconciliation. We believe that until the Sandinistas are ready to come to terms with their own people, there is nothing to be gained in bilateral talks.

The Sandinistas try to convince all who will listen that the conflict is a bilateral one between Nicaragua and the United States. Fewer and fewer people are buying this line, however, as they come to realize that the real problem is between the Sandinista regime and its own people, and between Nicaragua and its democratic neighbors.

Since becoming the President's Special Envoy last March, I have made eight(?) trips to the region. I have made clear that the United States maintains the negotiating half of its two-track policy. We want a good agreement, not a half-baked solution that will merely lead to more conflict in the future. Like the Central American democracies, we reject the piecemeal approach.

Last month, I visited five of the Contadora and Support Group capitals and explained that we welcome their efforts to revive the negotiating process. I urged them to listen closely to the Central American democracies, who are the ones most familiar with the realities of the region and with whom they have much more in common than Sandinista Nicaragua. It appears that they did listen, and we were pleased by the moderate and balanced communique they issued in Mexico at the conclusion of their trip.

We are hopeful that, aware that the Sandinista regime is the core of the problem, the Contadora countries will now be prepared to tackle the difficult political issues of national reconciliation and democratization in Nicaragua. Some of the Contadora countries, while recognizing the Marxist-Leninist nature of the Sandinista regime, have been hesitant to promote democratic political change out of concern that this was interference in Nicaragua's internal affairs. I believe that at least some of them have now come to recognize that insisting on national reconciliation and democratization is not intervention; Nicaragua specifically agreed to this when it signed the Document of Objectives in 1983. Thus, Contadora has a mandate to promote democracy and an obligation to ensure that the Sandinistas live up to their commitment.

History has shown us quite clearly that the Sandinistas will only negotiate seriously when under pressure. They are committed Marxist-Leninist revolutionaries who will never voluntarily make the concessions necessary for democracy in Nicaragua and peace in Central America. The increasing pressure on the regime from the democratic resistance will give the Sandinistas an incentive to abandon their intransigence and to negotiate seriously. Even as we put more pressure on the Sandinistas through our aid to the democratic resistance, we leave the door open to peace. It is up to the Sandinistas to walk through that door.

Mr. Chairman, this brings me to the bill before you today. I believe that SR 1-87 would not encourage the Sandinistas to move toward peace. To the contrary, it would reward their inflexibility and send the message that all they had to do was to hang tough and wait for the United States to lose its resolve. This proposal to unilaterally terminate aid to the democratic resistance would deprive me of one of the most critical elements of leverage we have with the Sandinistas, and make successful negotiations with the Sandinista regime virtually impossible. I urge the members of this committee to vote against this bill.